

# Belkiz feedaway



Belkiz Feedaway - Product Price Elasticity - Number and Number Number of Words: 514

Q. 1 Why is the price elasticity of demand important to your product/service?

How would demand for your product/service be influenced by price?

Price elastic products are basically referring to basic commodities which are highly sensitive to price changes such that a small increase in the market price of these goods would result to a significant decline in the demand for the product (North Carolina State University, 2008). Specifically the product of Belkiz Feedaway is a portable feeding-chair for toddlers made of hard recycled materials with three-point safety harness safe for toddlers up to 20 kilos (The New Inventors, 2010).

In general, the lower the market price of a product would mean a higher demand and vice versa. Assuming that I sell the portable feeding chair at the price of US\$150 each, the company will have a demand of as much as 500 pieces of portable feeding chair per month. In case I decided to sell the portable feeding chair at the price of US\$350 per chair, the company will be able to sell only 200 pieces of its portable feeding chair per month. (See Graph I - Investment on Price Elastic Product (Portable Feeding Chair) below)

Graph I - Investment on Price Elastic Products (Portable Feeding Chair)

A portable feeding chair made out of strong recyclable cardboard is considered as a homogenous product. It means that the product itself can be easily copied by other cardboard manufacturers. For this reason, it is not advisable on the part of Belkiz Feedaway to sell its product as inelastic product. By maintaining the price elasticity of demand, the company will be able to continuously sell the product all year round.

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Q. 2 What pricing strategy would you recommend for the product/service that would maximize the sales rate?

To determine the best pricing strategy for Belkiz Feedaway's portable feeding chair, there is a strong need for the marketing manager to conduct a market analysis which includes market segmentation, targeting, and positioning of the product in the market. Since a portable feeding chair is designed for toddler's use, the target markets for this product are couples or single parent with new born child. Based on statistics of newborn children each year, the company could estimate roughly how big its potential market is within the United States.

Since this product is relatively new in the market, the company can take advantage of pricing the product not too high and not too low. Since there are no other substitute for this product in the market as of the present time, the company has more bargaining power over its target consumers.

With regards to product pricing, it is important to consider the volume of portable feeding chair the company can produce. Even though demand for the product is high, the availability of supply could also affect the pricing of the product until such point that the supply and demand curve meets the equilibrium point. (See Graph II - Supply and Demand Curve on page 4)

Based on graph II, it is important for Belkiz Feedaway to sell portable feeding chair not more than what the consumers are demanding. Basically, producing portable feeding chair more than what its target consumers are demanding would only mean oversupply. Even though the company will be able to sell more portable chair, the market price for each chair could decrease down to P2 causing the company's profitability to suffer.

\*\*\* End \*\*\*

## References

North Carolina State University. (2008). Retrieved October 24, 2010, from Price Elasticity of Demand - Lecture 1: <http://www.cals.ncsu.edu/course/are012/lecture/lectur16/sld004.htm>

The New Inventors. (2010). Retrieved October 24, 2010, from Belkiz

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